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ABSTRACT

Power relations between government and higher education in Ontario, Canada, with specific reference to financing and to graduate program development, are addressed. The types of postsecondary institutions and the roles of the Ontario Council on University Affiars (OCUA) and the Council of Ontario Universities (COU) are identified. It is suggested that the government's actions from 1972-73 to 1975-76 resulted in a reduction in the university's power to maintain its revenues even at a minimal level and that the system's power will be further diminished in the next three years. However, institutions have retained the power to make decisions on the allocation of their revenues, to set academic standards on admission and graduation, and to develop new undergraduate programs. In the graduate realm, the universities have also lost a measure of power to develop new programs, and they may stand to lose even more power to maintain some existing programs in the next several years. However, the COU has power to make decisions on the quality of existing graduate programs. The role of the OCUA in serving as a mediator between the government and the universities is concluded to be important in the years ahead. (SW)

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PRESENT TRENDS IN POWER RELATIONS
BETWEEN GOVERNMENT AND HIGHER EDUCATION
(The Province of Ontario as a Case in Point)

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SHEEO

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# PRESENT TRENDS IN POWER RELATIONS BETWEEN GOVERNMENT AND HIGHER EDUCATION (The Province of Ontario as a Case in Point)

J. Peter Venton*

There are two aspects of power relations between the university government and higher education. The first involves the power of higher educational institutions to achieve their objectives through influence on the Government. The second involves the power of higher educational institutions to make decisions -- to choose among alternatives within the framework of constraints imposed on them by government. This second aspect has to do with who makes decisions and it requires a description of the players in the higher education game, and how their roles have evolved.

I would therefore like to start by briefly describing the setting and the players and then comment on power with reference to two topics, financing and graduate program development. In my conclusion I will try to indicate how the scoring for the game is developing and how well the players are doing. Finally, I would like to relate these concluding remarks to Professor Clark's paper.

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The Setting

The Province of Ontario is a much larger part of Canada than is any state of the United States. Although it is one of ten provinces, its population is equal to 36 per cent of that of the nation, its share of Canadian G.N.P. exceeds 40 per cent, and its institutions enrol roughly 43 per cent of the country's university students. Despite its large relative size in Canada, Ontario's population of 8.3 million is close to that of Florida, the eighth largest state in the union.

The Players

The higher education system in Ontario comprises 15 universities, the Ontario Insititute for Studies in Education, one polytechnical institute, a college of art, and 23 community or 2-year colleges. Ontario's universities, which are the focus of my comments, are private in that they have been established by charter. However, all of them are today what might be described as state-assisted.

The administration of the Province's financial support is carried out by the Ministry of Colleges and Universities, whose Minister is elected as a member of the Legislature and appointed to the Cabinet by the Premier of the province. This Ministry evolved from the Department of University Affairs, which was established in 1964. Prior to that year, university matters were dealt with by the Department of Education.

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As was the case with many U.S. states since World War II, the Government of Ontario established a co-ordinating agency. This agency, known as the Committee on University Affairs (CUA), was established in 1964 but was replaced with a larger body known as the Ontario Council on University Affairs (OCUA) in 1974. OCUA is purely an advisory agency with its own independent staff. It presently comprises 20 members including a full-time chairman who is a former university president, seven members of the university community, and 12 lay members from the private and public sectors. The Council meets approximately 30 days a year at public hearings with universities and at private executive meetings. In some of the terminology of the last session of the 1976 annual SHEEO meeting in San Diego, OCUA might be described as a state-wide co-ordinating agency with advisory powers -- one of "a new breed who don't see themselves as state agencies, who serve as mediators and interpretors, and who tend to represent interests within and outside higher education."

Ontario's universities are served by a collectivity called the Council of Ontario Universities (COU). This group evolved from a committee of university presidents that was formed in 1962, but today it comprises the president plus an academic representative from each university. COU engages in voluntary co-ordination activities, such as interlibrary lending, operation of a student applications centre, and rationalization of graduate program development. It also negotiates with OCUA and the Government on the system level of funding and other policy matters. Thus it might be described as a voluntary co-ordinating agency and, to some extent, a lobby.

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Financing

The rapid increase in enrolment in the first part of the 1960s and the public expectation of more Government financial support to accommodate universities put pressure on both OCUA's predecessor and the Government for more bureaucracy to handle the disposition of public funds. The development of the bureaucracy brought with it a fear of Government interference in the financial affairs of the universities through the process of line-by-line budgetary control. In order to ensure an "arm's length" relation between the universities and the Government, an operating grants formula, which had been developed and recommended by the co-ordinating agency (CUA), was implemented for 1967-68.

The elements of the formula included a weighted student enrolment multiplied by a dollar amount (of $1,320) called a Basic Income Unit (BIU) value, minus a standard or "formula" fee. The weights ranged from 1 for a full-time student in a general arts program, to 6 for a doctoral student. At the outset the formula fees for each program were established at levels very close to actual fees, so that the formula provided an amount of revenue per weighted enrolment at each university approximately equal to the BIU value of $1,320.

The formula as originally envisaged was intended to be solely a mechanism for equitably distributing funds among the then 14 independent universities in the system. Equally important was the fact that the funds were transferred to the university without any conditions; there was no requirement to distribute them by program in accordance

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with the weights of the formula, nor were they earmarked for expenditure objects such as faculty or support staff, or library acquisitions. Moreover the grants were independent of either private or federal government financial support.

The structure of the formula left the Government an important measure of control over the level of funding for the system because it determined annual changes in the BIU value. Moreover the sheer size of the grants, which represented roughly 77 per cent of the university operating revenues, guaranteed it a high measure of control over total system revenues.

As noted earlier, the formula fees for each program were established at levels close to actual fees. However, in general a university could alter its actual fees without affecting the formula fee and hence the Government's grant. In this way an institution's autonomy to change fees was assured. Thus initially it was envisaged that the universities would retain control over tuition fees.

There was never any question about the individual institutions' de jure rights to set tuition fees. However, the Government's leverage on total university budgets through the grants gave it the power to control fees in a de facto sense. This power derived from the possibility that it could increase the formula fee and force universities to raise their actual fees to offset the resulting shortfall in grants.

In 1972, the Government chose to exercise this power. In his Spring budget of that year the Provincial Treasurer announced a formula

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fee increase of $100 and a corresponding reduction in formula grants. Given this situation, the universities, of course, could have raised their actual fees beyond $100 in order to secure the revenue which they felt was needed -- but they did not. Even if they had there was no assurance that the Government would not respond with a further decrease in its formula grant. Neither did the universities choose the alternative of not raising fees and cutting expenditures to balance their budgets. Again in 1976, the Minister of Colleges and Universities announced a further $100 formula fee increase for the 1977-78 academic year and the universities once again responded by raising their actual fees by a similar amount. Thus since 1970 the universities appear to have lost control to the Government over the general level of tuition fees which in that year represented about 15 per cent of university operating revenues.

The formula was structured so as to leave the universities control over federal government contributions, particularly for sponsored research, private donations and miscellaneous revenues. The first of these has fallen off in real terms as financial stringency has affected the federal government; in any event they are financed through a separate operating fund. Private donations and miscellaneous revenues have traditionally represented no more than a small percentage of operating revenues.

The only remaining significant control over revenues that universities have is through enrolment increases. But even here they will be limited. From 1970 through 1976 overall enrolment

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in the system increased by approximately 35 per cent, but the growth rate has slackened in 1976-77. Starting in that year the Government, on OCUA's advice, has been increasing system-wide funding by only 50 per cent of enrolment growth.

Thus the Government has secured almost complete control over the university system's operating revenues over the past ten years. What then has happened with respect to the exercise of that control, and what does it imply for trends in power relations? As I said earlier, power has been defined as the ability of the system to meet its own objectives through its influence on Government. One measure of the university's minimal objective has been to maintain a constant amount of income per student over time -- abstracting from inflationary trends.

During the period from 1972-73 to 1975-76, there appears to have been a significant decline in real basic operating income per weighted student in the Ontario university system.[1] This fact reflects a lessening of power of the university system to attain the minimal objective just mentioned. In 1976-77 and 1977-78 however, the real income per weighted student appears to have stabilized and indeed increased somewhat. It should be noted however that the deflation of income by the Consumer Price Index has become more and more unrealistic in this two-year period, because non-salary expenditures of the universities contain relatively large proportions of items whose

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1. See Table 1. Basic operating income is the sum of formula grants and formula fees which account for approximately 87 per cent of operating revenues.

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inflation rates are far in excess of that indicated by the Consumer Price Index. Thus the increase may be illusory.

The decline in income per weighted enrolment in the 1972-73 to 1975-76 period probably reflected a Government view that there was too much "fat" in the university system by the turn of this decade. Accordingly the Government reduced its expenditure priority for universities; between 1971-72 and 1975-76 university operating grants fell from roughly 6.5 per cent of Provincial budgetary expenditures, to 5.4 per cent. (See Table 2.) Since 1975-76, this measure has stabilized.

Despite this stabilization the outlook for the university system in the next few years does not appear bright. This Spring, the Ontario Treasurer announced his intention to balance the Province's budget by 1980-81 without resorting to increases in tax rates. His plan will reduce the real rate of expenditures and may mark a return to the earlier part of the decade when income per weighted student fell in real dollars — even by the inadequate standard measure of inflation, of the Consumer Price Index.

Graduate Program Development

By 1965, both the university community and the CUA had become concerned about how to accommodate the expected substantial increase in demand for graduate places in an orderly fashion. As a consequence, they appointed a three-man commission to study the matter.

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The chairman of the commission was Dr. John Spinks, president of the University of Saskatchewan, and he was assisted by Gustave Arlt, then president of the Council of Graduate Schools in the U.S., and Kenneth Hare, Master of Birkbeck College of the University of London, England. The report of the commission, called the Spinks Report, was completed in November of 1966 and its major recommendation, "made in the strongest terms", was that a provincial University of Ontario be established.

Clearly this was too radical a recommendation for a group of independent universities that had not long emerged from the status of private institutions. While not wishing to contemplate this alternative, the universities remained concerned that a rapid expansion would dilute the quality of graduate programs. In response the COU established a subsidiary committee, the Ontario Council on Graduate Studies (OCGS), which was a mutation of an earlier committee of graduate deans and presidents. The OCGS developed a procedure under which individual graduate programs at a university were appraised by a team of external experts in order to determine their quality.

Further attempts were made in 1968 by President Corry of Queen's University, the then Chairman of COU, to develop a co-operative approach to the planning and organization of graduate studies. In response to his initiative, 33 discipline groups were established to examine the possibilities for specialization and inter-university co-operation in the face of rising demand for graduate student places. The OCGS formed an Advisory Committee on Academic Planning (ACAP) to

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guide the development of these groups, but only some of these groups proved effective.

By 1970 the Minister of Colleges and Universities was growing more and more alarmed at the large numbers, rapid growth rate and high costs of graduate education. He was particularly concerned about the likelihood of an overproduction of graduate students. As a result, the Government imposed an embargo on the funding of all new graduate programs. Subsequently the embargo was modified to include some 20 disciplines "in which the danger of overexpansion was deemed to be most acute".[1]

The procedure for lifting the embargo on graduate programs was a complicated one involving several steps. First, expert external consultants were selected by ACAP to examine all programs in a discipline in the universities of the province. Their assessment was made in a written report to ACAP. ACAP then reported its comments to OCGS and COU, which then recommended to CUA that the embargo be lifted, or not lifted. In turn, CUA generally recommended to the Government what the COU had suggested. Thus, while CUA was involved, it was more concerned with adequate process within COU and its subsidiaries of OCGS and ACAP, than making judgements about the quality and extent to which programs in the discipline were overextended.

In order to accommodate this enlarged and complicated procedure the COU greatly strengthened ACAP. Initially, the focus

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1. OCUA, Second Annual Report, p. 22.

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of the latter was mainly on questions of manpower, but by 1973, when the first discipline assessments had been completed, there was a feeling among the universities that manpower considerations had been over-emphasized. For one thing, graduate enrolment had leveled off; for another, some manpower forecasts had proved to be woefully inaccurate.

The individual institutions were beginning to rebel against the power of COU to recommend through the CUA to the Government that funding be terminated for some programs. Some of the universities, for example, felt that although the assessors had not given them an excellent rating for a general Ph.D. program in a discipline, they clearly were good in some special areas of the discipline. As a result the COU shifted emphasis to considerations of general and specialized Ph.D.s. The implications of this shift were that many general programs were replaced by specialized programs.

By 1975 the results of the process were somewhat different from what had been anticipated at the outset. Nevertheless the voluntary process established minimum standards for the development of graduate programs, probably cut down substantially on the planned proliferation of programs and shifted some existing programs from the general to the specialized category. All of this had been accomplished in a ten-year period ending in 1975.

Despite these accomplishments and despite the fact that graduate enrolment had grown by very little since 1970, the OCUA remained concerned that the sector had not been fully rationalized.

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In October of that year, it recommended to the Government that, for a three-year period, funding be based on the university's 1975-76 level of graduate enrolment. This recommendation was made for two main reasons. First, there was a desire to eliminate the pressure to maintain academically weak programs merely to secure the formula grants generated by their enrolment. Second, the OCUA wanted time to develop a more appropriate method of funding graduate programs.

As for the future, starting in 1979-80, graduate program planning will be carried out on a quinquennium basis. By that year the OCUA will have recommended a process for reviewing existing as well as new graduate programs and a new formula for financing the graduate sector. Among the possibilities presently before it for consideration are:

1. Strengthening the independence of the Advisory Committee on Academic Planning vis-à-vis COU to ensure tougher appraisals and guarantee quality.

2. Assumption of the whole assessment and appraisal process by OCUA to ensure rationalization and quality.

3. Changing the financing arrangements to:
   a) modify the financial incentives to growth either by reducing present high weights for graduate students and/or desensitizing the grants with respect to enrolment growth;
   b) recognize research needs as well as instructional needs;

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c) introduce quality ratings of graduate programs directly or indirectly to reinforce other measures to ensure the maintenance or improvement in quality.

Conclusions

During the period from 1967-68 to 1972-73 the Government obtained virtual control over the level of revenues in the university system. Its exercise of that control during the period from 1972-73 to 1975-76 resulted in a reduction in the universities' power to maintain its revenues even at a minimal level of its perceived needs. It is likely that the system's power will be further diminished in the next three years. This situation is consistent with the view that the level of operations in the university system is not entirely compatible with the public interest as it is presently perceived by the Government. Given the high level of Government financial support of the institutions, university interests must inevitably give way to those of the Government.

The only significant factor that might possibly change this scenario would be an increase in tuition fees. However in this area, differences of opinion continue to prevail over whether fee increases are regressive or progressive. Until a consensus emerges it is unlikely that major changes will be seen. The best that can be hoped for from the university perspective is the maintenance of the current fee in

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real terms through indexing it to inflation. Meanwhile, for 1978-79 Ontario's Premier has once again indicated that there will be no increase in tuition fees.

On the other hand the institutions have retained the power to make decisions on the allocation of their revenues among expenditure objects or functions, to set academic standards of admission and graduation, and to develop new programs at the undergraduate level. All of this decision-making power has been respected by the Government and made possible through the mechanism of formula financing. The danger is that under conditions of perceived underfunding, these decisions are made more difficult and pressure will develop to give them up because administrations will not have the will to make them.

In the graduate realm the universities have also lost a measure of power to develop new programs, and they may stand to lose even more power to maintain some existing programs in the next several years. On the other hand they have retained power to make decisions or judgements on the quality of existing graduate programs. This power has however shifted from individual institutions to the COU.

The future locus of decision-making power may shift from the collectivity to the co-ordinating agency unless the former group strengthens its efforts to improve the overall quality of graduate programs, or unless financial arrangements are developed that will secure these effects.

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Since 1970 concern seems to have shifted from the over-production of graduate students, to the improvement in quality of research or graduate instruction. The two are not unrelated since the enhancement of quality is expected to result in an overall contraction of programs.

The co-ordinating agency acts as a mediator between the Government, which represents the public interest, and the university community, whose interests are represented by the COU and the individual institutions. It is thus the body to whom both parties take their problems. OCUA's advice is open and public, being published in the form of advisory memoranda which contain the reasoning for its formal recommendations. The reasoning reveals a specific interpretation of the interests of both the public and the university community. Where the two diverge its role is to strike the best compromise in the short run. In this process, it may serve as a catalyst for the university community to speed up efforts to reduce the divergence. At the same time it may induce the Government to modify its view of the public interest.

The intermediary is a body designed to avoid the mistake of trying to co-ordinate higher education with a central bureaucracy. Indeed the Council's predecessor was formed on the model of the University Grants Committee in the U.K. I believe it will continue to assure that there will be "government support without government control".

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Table 1

BASIC OPERATING INCOME PER WEIGHTED STUDENT

| | Income per Weighted Student[1] $ | Consumer Price Index[2] 1971 = 100 | Income per Weighted Student in 1971 Dollars $ |
|---|---|---|---|
| 1967-68 | 1,344 | 87.2 | 1,541 |
| 1968-69 | 1,474 | 90.3 | 1,632 |
| 1969-70 | 1,556 | 94.8 | 1,641 |
| 1970-71 | 1,650 | 97.8 | 1,687 |
| 1971-72 | 1,730 | 100.5 | 1,721 |
| 1972-73 | 1,765 | 105.1 | 1,679 |
| 1973-74 | 1,727 | 113.2 | 1,526 |
| 1974-75 | 1,896 | 125.9 | 1,506 |
| 1975-76 | 2,081 | 139.8 | 1,489 |
| 1976-77 | 2,247 | 149.3 | 1,505 |
| 1977-78 | 2,430[e] | 161.3[e] | 1,507 |

e - estimated

1. Basic operating income is the sum of formula grants plus formula fees. In order to make the data comparable over time, computer grants, which were made separately in 1967-68 and 1968-69, have been included in income for these years. Subsequent to 1968-69 computer grants were incorporated in formula grants. The weighted enrolment is that reported in the current year rather than the previous year's enrolment, upon which grants were calculated in 1973-74 through 1975-76, or a weighted average of previous year's enrolment used to determine grants in 1976-77 and 1977-78.

2. Source, Statistics Canada. Represents the index for the month of July in each year.

Table 2

COMPARISON OF UNIVERSITY OPERATING GRANTS AND PROVINCIAL BUDGETARY EXPENDITURES

| | Provincial[1] Budgetary Expenditures | Operating[2] Grants for Universities ($ millions) | University Grants as a Percent of Provincial Expenditures % |
|---|---|---|---|
| 1970-71 | 5,160 | 344 | 6.7 |
| 1971-72 | 5,965 | 388[3] | 6.5 |
| 1972-73 | 6,412 | 397 | 6.2 |
| 1973-74 | 7,223 | 423 | 5.8 |
| 1974-75 | 8,722 | 486 | 5.6 |
| 1975-76 | 10,490 | 569 | 5.4 |
| 1976-77 | 11,846 | 650 | 5.5 |
| 1977-78 | 12,975 | 704 | 5.4 |

1. Source: Ontario Budget, 1977.

2. Includes formula, supplementary, bilingual, teachers' college and other miscellaneous grants. Also includes grants to Ryerson Polytechnical Institute, the Ontario Institute for Studies in Education, the Ontario College of Art, and the Bar Admission course.

3. Reflects actual grants of $329 million which were paid on a transitional 10-month fiscal year, adjusted to reflect a 12-month year.